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INFORMATION FROM NON-SELF-GOVERNING TERRITORIES TRANSMITTED UNDER ARTICLE 73 e OF THE CHARTER OF THE UNITED NATIONS

Report of the Secretary-General

1. Under the terms of Article 73 e of the Charter of the United Nations, "Members of the United Nations which have or assume responsibilities for the administration of territories whose peoples have not yet attained a full measure of self-government" undertake to transmit regularly to the Secretary-General information "... relating to economic, social and educational conditions in the territories for which they are respectively responsible other than those territories to which Chapters XII and XIII apply". In addition, the General Assembly, in several resolutions, the most recent of which was resolution 49/39 of 9 December 1994, requested the administering Powers concerned "to transmit or continue to transmit to the Secretary-General the information prescribed in Article 73 e of the Charter, as well as the fullest possible information on political and constitutional developments in the Territories concerned".

2. The table annexed to the present report shows the dates on which information called for under Article 73 e of the Charter was transmitted to the Secretary-General in respect of the years from 1992 to 1995.

3. The information transmitted under Article 73 e of the Charter follows in general the standard form approved by the General Assembly and includes information on geography, history, population and economic, social and educational conditions. In the case of Territories under the administration of New Zealand, the United Kingdom of Great Britain and Northern Ireland and the United States of America, the annual reports on the Territories also include information on constitutional matters. Additional information on political and constitutional developments on Tokelau is given by the representative of New Zealand during meetings of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples. Supplementary information is also made available by New Zealand, the United Kingdom and the United States concerning Territories under their administration.

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4. In compliance with the provisions of paragraph 5 of General Assembly resolution 1970 (XVIII) of 16 December 1963 and other relevant resolutions of the Assembly, including in particular resolution 49/39, the Secretariat has continued to use the information transmitted in the preparation for the Special Committee of working papers on each Territory. The Special Committee has taken this information into account in formulating its decisions on these Territories, which are set forth in the relevant chapters of the Committee's report to the General Assembly at its current session (see A/50/23 (Parts V-VII)). The report also contains an account of the action taken by the Special Committee in implementation of resolution 1970 (XVIII) (A/50/23 (Part IV), chap. VIII).

Annex

DATES OF TRANSMISSION OF INFORMATION UNDER ARTICLE 73 e OF THE CHARTER OF THE UNITED NATIONS AND PERIOD COVERED a/

	Information received in 1994		Information received in 1995	
	Date of transmission	Period covered	Date of transmission	Period covered
FRANCE				
New Caledonia b/	-	-	-	
NEW ZEALAND (1 July-30 June) c/				
Tokelau	28 April 1994 18 July 1994	1993/94 1992/94	3 August 1995	1993/94
PORTUGAL				
East Timor d/	-	-	-	-
SPAIN				
Western Sahara e/	-	-	-	-
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND				
Anguilla	19 August 1994	1992/94	5 September 1995	1994/95
Bermuda	4 April 1994 15 July 1994	1993 1992/94	10 July 1995	1995
British Virgin Islands	-	-	-	-
Cayman Islands	-	-	-	-
Falkland Islands (Malvinas)	12 May 1994	1993/94	-	-
Gibraltar	16 September 1994	1992	21 August 1995	1993
Montserrat	26 August 1994	1992/93	-	-
Pitcairn	16 September 1994	1992/93	-	-
St. Helena (including Tristan da Cunha)	23 September 1994	1993/94	-	-
Turks and Caicos Islands	-	-	-	-
UNITED STATES OF AMERICA (1 October-30 September) f/				
American Samoa	-	-	-	-
Guam	-	-	-	-
United States Virgin Islands	-	-	-	-

(Footnotes to table on following page)

(Footnotes to table)

a/ For a preliminary list of territories to which the Declaration on the Granting of Independence to Colonial Countries and Peoples (General Assembly resolution 1514 (XV) of 14 December 1960) applies, see Official Records of the General Assembly, Eighteenth Session, Annexes, addendum to agenda item 23 (A/5446/Rev.1), annex I.

b/ According to its resolution 41/41 A of 2 December 1986, the General Assembly "considers that, in the light of the provisions of Chapter XI of the Charter of the United Nations and General Assembly resolutions 1514 (XV) and 1541 (XV), New Caledonia is a Non-Self-Governing Territory within the meaning of the Charter".

c/ Period extends from 1 July of the year listed to 30 June of the following year.

d/ In a note verbale dated 6 April 1979 (A/34/311), the Permanent Representative of Portugal to the United Nations informed the Secretary-General that the conditions still prevailing in East Timor prevented his Government from assuming its responsibilities for the administration of that Territory. He subsequently informed the Secretary-General (A/35/233, A/36/160, A/37/113, A/38/125, A/39/136, A/40/159, A/41/190, A/42/171, A/43/219 and A/44/262 that the Portuguese Government had nothing to add to the information already provided in that note. The Secretary-General was further informed by the Permanent Representative (A/45/172, A/46/131, A/47/189, A/48/130, A/49/184 and A/50/214) that since the Portuguese Government continued to be prevented "de facto" from exercising its responsibilities for the administration of East Timor due to the latter's illegal occupation by a third country, it remained unable to provide any information concerning the Territory.

e/ On 26 February 1976, the Permanent Representative of Spain to the United Nations informed the Secretary-General that "the Spanish Government, as of today, definitely terminates its presence in the Territory of the Sahara and deems it necessary to place the following on record: ... (a) Spain considers itself henceforth exempt from any responsibility of an international nature in connection with the administration of the said Territory, in view of the cessation of its participation in the temporary administration established for the Territory ..." (A/31/56-S/11997). For the printed text, see Official Records of the Security Council, Thirty-first Year, Supplement for January, February and March 1976.

f/ Period extends from 1 October of the previous year to 30 September of the year listed.

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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Note by the Secretary-General

1. In conformity with paragraph 5 (e) (ii) of General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General transmits herewith to the General Assembly as submitted the first annual report of the Office of Internal Oversight Services, covering activities for the period from 15 November 1994 to 30 June 1995 (see annex).

2. Effective internal oversight is a key element of management efficiency. Accordingly, the Secretary-General welcomed the action taken by the General Assembly in its resolution 48/218 B to strengthen his executive responsibility by establishing the Office of Internal Oversight Services. Building on previous initiatives by the Secretary-General to reinforce and consolidate the audit, inspection and investigation services available to the Organization, the Office of Internal Oversight Services was mandated by the General Assembly to assist the Secretary-General in fulfilling his internal oversight responsibilities in respect of the resources and staff of the Organization, and was charged with responsibilities with regard to monitoring, internal audit, inspection and evaluation and investigations, exercising operational independence under the authority of the Secretary-General.

3. In analysing and summarizing the activities carried out by the Office during the first seven and a half months since its establishment, the attached report by the Office of Internal Oversight Services highlights the contribution made and support provided by the Office to the management reform processes under way within the Organization.

4. Parallel with efforts to enhance the Organization's capacity in the field of peace and security, and to introduce an improved conceptual framework for pursuing the Organization's development mission, management reform has constituted a key priority of the Secretary-General over the past four years. This effort has been facilitated by the simpler, more focused and more integrated secretariat structures put in place in 1993, and the reorganization of the Department of Administration and Management introduced early in 1994. It is being pursued within the framework of the comprehensive management plan developed by that Department, the main elements of which were conveyed in the General Assembly at its forty-ninth session through *inter alia* the Secretary-General's reports on responsibility and accountability, restructuring, and human resource management.

5. The basic purpose of this management plan, as outlined in the current Annual Report on the Work of the Organization, is to create a mission-driven and result-oriented Secretariat, with specific goals of enhanced performance, better productivity and increased cost-effectiveness. The foundation of the plan is the new system of accountability and responsibility. Its key objectives include:

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(a) Better management of human resources, together with improvement in staff member capabilities and accomplishments;

(b) Better management of the Organization's programme, through the identification of strategic priorities, through the budgetary process by which resources are allocated to achieve those priorities and finally through a performance measurement system by which programme managers are held accountable for achieving the strategic priorities;

(c) Better information with which to manage, and its timely availability;

(d) Better management of technology and extension of its availability throughout the Organization;

(e) Better management of the Organization's cost structure and an enhanced programme for promoting efficiency and cost effectiveness.

6. As an integral part of the same effort, the Secretary-General will continue to support the effective exercise by the Office of Internal Oversight Services of its functions, in full compliance with the modes of operation established in General Assembly resolution 48/218 B. In that context, appropriate, mutually reinforcing linkages and feedback between the Office and the Department of Administration and Management will be further encouraged.

7. The Secretary-General trusts that the Office of Internal Oversight Services will, in the period ahead, continue to give high priority to, and expand its oversight effort in respect of peace-keeping, humanitarian and related operations, where the Organization is being faced with ever-growing, unprecedented demands, and where the bulk of resources is being expended. For peace-keeping operations alone the aggregate annual budget at the end of July 1995 was approximately US$ 3.6 billion, almost three times the total annual expenditure under the regular budget.

Annex

Report of the Office of Internal Oversight Services

for the period
from 15 November 1994
to 30 June 1995

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Preface

by the Under-Secretary-General for Internal Oversight Services

This is the first summary report on the activities of the Office of Internal Oversight Services (OIOS) which I have the honour to submit, through the Secretary-General, to the General Assembly. It covers the period between 15 November 1994, the date when I came aboard, and 30 June 1995. This cut-off date was chosen so that future annual reports of OIOS to the General Assembly will cover the 12 months between 1 July and 30 June and so reach the Assembly at the beginning of its session. The report of the Office of Inspections and Investigations, the predecessor to OIOS, covered the period up to 31 July 1994; for the sake of continuity in reporting to the Assembly, the appendix records oversight activity for the period from 1 August to 14 November 1994.

OIOS is a new office and consequently I wish to introduce this report with some personal observations while my perceptions are relatively fresh. For almost 50 years, internal oversight was, at best, underdeveloped in the United Nations and it was undoubtedly understaffed. Internal auditing, programme evaluation, and monitoring played a marginal role as part of administration and management, lacking independence and authority. The inspection function did not exist within the Secretariat. An investigation unit did not exist. I believe that some of the deficiencies and weaknesses which an increasingly critical public nowadays seems to detect in the United Nations have something to do with the traditionally weak oversight function: the bureaucracy has grown without pruning for many years; procedures and structures have become too rigid, frustrating creativity and individual initiative; overlapping and duplication of responsibilities have not been adequately addressed let alone eliminated.

There are further reasons why the management reality of the United Nations is less than perfect:

(a) Rules and regulations are too complicated and simply too numerous to serve as clear guidance for staff. A concerted effort must be made to weed out or reformulate what has become obsolete or been superseded. OIOS will be involved in such an exercise together with the Office of Legal Affairs and the Department of Administration and Management;

(b) The personnel system is cumbersome; the hiring of new talent is as difficult as the termination of non-performers. The "buy-out programme" that the Department of Administration and Management has initiated and related measures would enhance rotation and mobility of staff;

(c) Managerial and administrative skills are not well distributed in the Organization. While there is an impressive reservoir of expertise in most substantive fields of work, the Organization does not have a sufficient number of well-trained and experienced administrators to staff chief administrative officer positions in, for example, peace-keeping missions. The Office of Human Resources Management is launching a major training programme to raise management awareness. OIOS strongly endorses this effort and recommends that it be extended to include all levels of management, from top to bottom;

(d) There is a lack of horizontal communication in the United Nations. The different departments do not know enough about each other's work and this creates the danger of unintentional overlapping and preoccupation with "turf". OIOS will continue to emphasize the need for more transparency and coordination;

(e) Vertical communication also needs to be improved. If staff at all levels is expected to participate in the management of the Organization, dialogue has to be intensified. OIOS joins others in attempting to bring this important change in corporate culture about;

(f) By the same token, efforts must be made to do away with the widespread tendency of staff, even in key positions, to shun responsibility and accountability. OIOS backs measures taken by the Department of Administration and Management to achieve this goal

and will focus its own recommendations to management accordingly;

(g) Institutional memory in the United Nations needs improvement and in some key areas to be created from scratch. Learning from the past is in large part conditioned by proper documentation. Unlike some well-run national Governments, there is no central approach in the United Nations to the recording of actions and the maintenance and indexing of files. When employees leave, their experience and factual knowledge often leaves with them. The oversight work of OIOS will also address this issue;

(h) The geographic spread — New York, Geneva, Nairobi, Vienna, plus regional commissions — reflects the world-wide mandate of the United Nations, but is also the cause of fragmentation and communication problems. The duty stations away from Headquarters clearly lead a life of their own. OIOS recommends a sound mixture of delegation of authority and the necessary guidance.

While it is easy to list these shortcomings — the international media have harped on some of them for years and turned them into United Nations clichés — they are not likely to be overcome by any quick-fix remedies for several reasons. First of all, no organization of this size responds willingly and expeditiously to reform efforts. To change fundamentally a corporate culture that has grown for almost 50 years would be difficult and time-consuming even in private business; it is much more so in an international organization that is staffed by people from around 160 different countries who bring with them quite diverse perceptions of public service. Secondly, the United Nations finds itself in a difficult situation at present, facing huge new challenges and shrinking resources simultaneously. The Organization has to adjust to a dramatic environmental change and is at the same time expected to change itself. While the need for this internal structural reform is widely acknowledged, the energy to bring it about is in short supply. And how can it be otherwise when the Organization finds itself constantly under the threat of bankruptcy because of ever-growing membership contribution arrears and acute cash shortages. Thirdly, discussions about reforms tend to turn into political issues in the legislative bodies. It is a fact that among the 185 Member States there are many divergent perceptions about what the United Nations is and should be. This results frequently in guidance, mandates and requests to the United Nations Secretariat that are, from an administrative point of view, less than clear and unambiguous.

Bearing in mind this environment, and that organizational and cultural change cannot be achieved overnight, I believe for the work of OIOS to be meaningful for the United Nations, it has to be systematic and thorough and should not aim at spectacular, short-lived actions. OIOS has to provide the United Nations with a steady, continuous oversight coverage that promotes effective and efficient programme management and prevents future problems; we also have to find and report on current problems regarding waste, fraud, abuse and mismanagement. Since our resources are limited, I will make sure that we use them intelligently, giving priority to those areas of United Nations work that are particularly risk-prone in these respects.

OIOS has begun to meet with success in embracing its new set of tasks. Almost every day I receive indications that we are having an impact, that our deterrent as well as our proactive roles are being recognized. Some of these signals are particularly encouraging because they give rise to the hope that OIOS can be more preventive than detective; others tell me that there is a lot of fear and apprehension about this new office, misgivings as well as misunderstandings. Many United Nations managers are not used to and seem to be quite reluctant to accept criticism, particularly when it comes to applying accountability criteria rather than settling for the promise that some specific problem won't recur. This feature of the United Nations culture must be changed if we are ever to develop staff awareness and acceptance of responsibility and accountability. United Nations managers must stop being defensive and enter into a critical dialogue with OIOS. In order to make oversight effective, we offer ourselves as partners, not adversaries.

United Nations managers should also adopt a positive and supportive attitude towards internal control. They should be aware that the establishment and maintenance of an effective internal control system is a managerial responsibility which cannot be left only to an organization's oversight services. OIOS feels that the adoption of a set of internal control standards by the United Nations would raise managers' support for adequate internal controls and would provide a benchmark to assess the systems in place. OIOS will play its role in identifying specific control objectives for different categories of operations.

Occasionally, OIOS findings and recommendations are challenged on the grounds that OIOS may not have the technical expertise to appreciate fully the complexity of a problem. I view such reaction as understandable, but in most instances as not justified. By and large the expertise that is relevant to our work is that of oversight activities

such as audit. The work of OIOS is certainly not beyond reproach, but in the short time I have been in office I have been impressed by the professional solidity and reliability of the staff under my direction. When specialized technical expertise beyond that available in OIOS is needed it has been proved obtainable through short-term arrangements.

As far as my own role is concerned, I see myself first and foremost, of course, as responsible for managing day-to-day operations and securing interaction between the four oversight units so that they work in a complementary way and their integration under the auspices of OIOS will not result in duplication but enhance the effectiveness of oversight. But I also view my role as being an agent for positive change; after all, the recommendations in the OIOS reports are merely vehicles for promoting change and need the support of senior management to ensure compliance. In saying this, I am fully aware of the fine line that I have to walk between cultivating a friendly, trustful working relationship with my colleagues and preserving my objectivity and operational independence. Since my mandate directs me to be critical rather than to praise, my partners may sometimes feel disappointed that my comments do not adequately reflect the ways in which they are actually striving to improve things. Perhaps then this report is a good opportunity to state that those presently responsible for management in the Secretariat are making a valiant effort to better the administrative performance of this Organization and deserve all the support they can get. The same is true for the Department of Peace-keeping Operations and the Department of Humanitarian Affairs, two departments that are struggling to cope with enormous tasks and inadequate human resources.

Coming back to my own set of tasks, I have found it necessary to become heavily and personally involved in some of the major surveys and studies that OIOS produces, and in some of the problems it faces in monitoring compliance and offering management advice. I have already paid inspectoral visits to other major duty stations (Geneva, Vienna), a peace-keeping mission (the United Nations Protection Force (UNPROFOR)), and a regional commission (the Economic Commission for Africa (ECA)). I have submitted my observations from such trips to the Secretary-General and to relevant department heads and have found them to be quite receptive.

Let me conclude with a little personal success story. Already before I came to New York to start my new job, it came to my attention that an ongoing United Nations practice was to telex important Security Council decisions to all member Governments at the cost of approximately $100,000 per year. Obviously, most member Governments would also receive these texts through their New York missions. So I instructed the OIOS auditors to look into this matter and because of OIOS intervention the three pertinent departments worked together to design a much more economical way of disseminating the Council decisions.

The United Nations has a lot to offer to the world community, but much remains to be done to make the Organization fit for its present and future challenges. OIOS will do its share towards achieving this goal.

(Signed) *Karl Th. Paschke*
Under-Secretary-General
for Internal Oversight
Services

New York, 31 July 1995

I

General management of the Office of Internal Oversight Services

A. Background

1. The General Assembly, in resolution 48/218 B of 29 July 1994 establishing the Office of Internal Oversight Services (OIOS), clearly expressed its intention to enhance oversight functions within the United Nations, in view of the increased importance, cost and complexity of the Organization's activities, through intensified evaluation, audit, investigation and compliance monitoring. The Assembly also stressed the proactive and advisory role of the new office, and the expectation that it would give assistance and provide methodological support to programme managers in the effective discharge of their responsibilities. Furthermore, OIOS was expected to monitor closely the compliance of managers with its recommendations and to transmit reports about its work that provide insight into the effective utilization and management of resources, through the Secretary-General to the Assembly. On 24 August 1994 by its decision 48/323, the Assembly approved the nomination of Mr. Karl Th. Paschke as Under-Secretary-General for Internal Oversight Services. He assumed his duties on 15 November 1994.

2. The starting dilemma for OIOS was that it was supposed to deliver more and provide something new, better and more effective, but that it was requested to do so within existing resources. In fact, the only additional funds made available to the new office were those needed to upgrade an Assistant Secretary-General to an Under-Secretary-General post. In early December 1994, the new Under-Secretary-General went before the Fifth Committee and the Advisory Committee on Administrative and Budgetary Questions, described his philosophy, the plans and the aspirations he brought to OIOS and stated that he could not measurably enhance the internal control mechanisms in the United Nations without more resources. In particular, he pointed to the need to intensify the audit coverage and shorten the audit cycle within the Organization and to strengthen the new investigation function which, at its current level of staffing and professional experience, was unable to provide this important additional element to oversight.

OIOS had to deliver more, and something new, within existing resources.

3. The legislative bodies reacted favourably and OIOS, which had a total of 102 posts, was granted 5 additional Professional and 3 more General Service posts against the revised budget estimates for 1995, bringing the total number of posts to 110, including extrabudgetary posts. Beyond the ensuing moderate improvement in its staffing situation, OIOS understood this decision as a significant and encouraging endorsement of its efforts to make internal oversight an effective, credible and independent component of the management structure of the United Nations.

4. In the meantime, OIOS has defined its staffing requirements for 1996-1997, found them mostly supported by the Department of Administration and Management and defended its budget proposals in the Advisory Committee on Administrative and Budgetary Questions. In these proposals, OIOS was mindful of the difficult overall financial situation of the United Nations and the intention of the Secretary-General to present a lean budget without any significant increases, also taking into account that a new office needs some time to gain full adequate strength and that there is a limit to what it can intelligently absorb at the very start of its operation. So, the OIOS submission for the next biennium can only be characterized as quite moderate and responsible. It has to be underlined, though, that for internal oversight to be a meaningful component of the management culture of the United Nations, OIOS staff will have to be further increased in the following years. However, the highest priority in the personnel area during the reporting period was given to further improvement of the quality of OIOS staff performance. It is obvious that the level of those activities of the Organization that are high in risk and cost will climb rather than shrink in the future. A more intensive audit coverage is called for in areas like

peace-keeping, procurement, programme/projects, and electronic data processing. Management audit and consultancy activities also will have to be further strengthened.

5. A number of procedural measures were taken to put OIOS on the map. The different functions of the four units were clearly spelled out and their interaction and cooperation secured. In keeping with General Assembly resolution 48/218 B, procedures were developed and communicated to the Organization with regard to the reports that OIOS was to submit to the Secretary-General for transmittal to the General Assembly. In the same context, a system was created that will allow OIOS to monitor closely the implementation of its recommendations by the responsible managers. The shortage of staff of the initial phase of OIOS also prompted the Under-Secretary-General to make a plea for temporary assistance to Member States, which was favourably received by some and resulted in the secondment of professionals from the Republic of Korea, the Netherlands and Germany, the latter country also pledging financial means for the temporary hiring of a Professional from a third world country.

OIOS has been put on the map.

6. To secure operational independence for the Office in personnel matters, OIOS established an appointment and promotion panel of its own, which advises the Under-Secretary-General on questions and decisions pertaining to the selection and career development of OIOS staff.

7. In accordance with paragraph 5 (c) (ii) of General Assembly resolution 48/218 B, the scope of the audit activity within the Organization was widened to include management audits, reviews and surveys to improve the structure of the Organization; its capacity to oversee the growing impact of electronic data processing on United Nations management was equally strengthened.

8. The new Investigation Unit still has to be equipped with a set of work procedures, a manual, etc., to provide a reliable frame of reference both to its employees and United Nations employees in general, so that due process is guaranteed, confidentiality of sources is assured and the methodology of the investigating activity understood by all concerned.

9. Paragraph 11 of General Assembly resolution 48/218 B provides one further challenge to OIOS. The office is requested to develop an understanding with the "United Nations operational funds and programmes" (such as the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA) and the World Food Programme (WFP) about its relationship with them. The wording of the resolution suggests that its text also pertains to the internal oversight functions of such funds and programmes and aims at bringing about common standards for internal oversight throughout the United Nations family. As a first step towards this goal, OIOS has started a survey of the organizations in question in order to take stock of the oversight functions in place. On the basis of such a synopsis, specific issues of harmonization, coordination, cooperation, exchange of experiences and work results will be identified and discussed with the relevant executive boards. A report will be submitted to the General Assembly at its fiftieth session.

B. Implementation of recommendations and reporting procedures

10. Pursuant to paragraph 5 (c) (v) a. of General Assembly resolution 48/218 B, the Secretary-General has developed procedures for the follow-up of audits, inspections and investigations undertaken by OIOS. These procedures have been specified by the Under-Secretary-General for Internal Oversight Services and communicated to all heads of departments and offices under the authority of the Secretary-General for the information of all programme managers. The procedures spell out what action has to be taken at what time on the part of the programme manager and on the part of the oversight staff, respectively, covering the period from completion of field work until the implementation of recommendations. They also include provisions for the resolution of disputes over recommendations issued by OIOS. Furthermore, programme managers are required to report to OIOS on a quarterly basis on the status of implementation until a recommendation is reported as fully implemented.

11. OIOS has developed, and is in the process of refining, a monitoring machinery, using existing electronic databases, which, however, had to be adapted to the new monitoring requirements as mandated by the General Assembly in its resolution 48/218 B. This machinery enables OIOS to monitor, at the working and at the front office level, the status of each recommendation issued. At the same time, OIOS intends to continue its effort to make its recommendations easier to implement. OIOS will also

OIOS closely monitors implementation of recommendations.

continue providing assistance to departments and offices in effective and timely implementation of its recommendations.

12. Pursuant to paragraph 5 (c) (v) b. of General Assembly resolution 48/218 B, the Under-Secretary-General for Internal Oversight Services submitted his first semi-annual report on the status of implementation of recommendations of OIOS for the period ending 31 March 1995 to the Secretary-General. The report established a baseline set of recommendations, the implementation of which will be continuously monitored and updated according to the procedures set forth in document ST/SGB/273 of 7 September 1994. One of the major findings of the first semi-annual report was a fairly low response rate by programme managers to the communications issued by OIOS, which is mainly owing to a poor response to audit communications and an even lower level of implementation of audit recommendations by programme managers. Furthermore, programme managers in general had not yet internalized the quarterly reporting requirement established by document ST/SGB/273, with only one head of department/office sending a quarterly report covering the first quarter of 1995. All heads of departments/offices who had not complied with the quarterly reporting requirement were apprised of the negative conclusions to be drawn from the findings of the first semi-annual report and were requested to improve their compliance procedures. In particular, they were informed that non-compliance with OIOS recommendations and procedures would have to be explicitly recorded in future semi-annual reports.

13. The second semi-annual report by OIOS on the status of implementation of recommendations covering the period ending 30 September 1995 will be submitted to the Secretary-General in due course. In order better to coordinate the different reporting requirements, especially the annual report to the General Assembly and the semi-annual reports to the Secretary-General, OIOS plans to issue an interim report to the Secretary-General covering the last quarter of 1995. Thus, future semi-annual reports will cover the first and second half of each year, respectively. Paragraph 28 of document ST/SGB/273 set out eight categories of information, listed as subparagraphs (a) to (h), to be included in OIOS annual reports. In terms of these eight subparagraphs, the information in the present report is as follows:

(a) and (b) A description of significant problems, abuses and deficiencies: see paragraphs 18-100;

(c) Recommendations not approved by the Secretary-General: for the one such case and its disposition, see paragraph 96;

(d) and (e) Recommendations in previous reports on which corrective action has not been completed or where management revised a decision from a previous period: since this is the first annual report no such cases arose;

(f) and (g) Recommendations on which agreement could not be reached with management or where requested information or assistance was refused: there have been no such situations, apart from the one referred to under subparagraph (c) above;

(h) The value of cost savings recommended and amounts recovered: see box after paragraph 17.

C. Establishing priorities

14. During the period under review OIOS concentrated its oversight effort on peace-keeping operations, humanitarian and related activities, and the general problem of procurement. Owing to the high level of expenditures involved and the visibility of the activities, these are areas where uneconomical use of funds, and management problems and abuses, could have the most serious effects.

OIOS concentrated on peace-keeping operations, humanitarian and related activities, and procurement.

15. In the area of peace-keeping operations, emphasis is being placed on the start-up phase of operations, the procedures dealing with the end-of-mission phase, the safeguarding of assets, the reliability of financial and other information and compliance with existing rules, regulations and instructions. Close attention was given to the division of labour between the Department of Peace-keeping Operations and the Department of Administration and Management and the functioning of the Field Administration and Logistics Division of the Department of Peace-keeping Operations.

16. OIOS sees its role in humanitarian and related activities as developing recommendations directed at better coordination of efforts by the different United Nations agencies providing humanitarian assistance. A report on the implementation of recommendations in the in-depth evaluation of the Office of the United Nations High Commissioner for Refugees (UNHCR) will be reviewed by

the Committee for Programme and Coordination in 1996. While the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) has its own audit unit, OIOS has performed an investigation of an allegation by a Member State relating to UNRWA (see para. 85 below) and will continue to provide such oversight services as are needed. A report on an in-depth evaluation of the Department of Humanitarian Affairs is scheduled for review by the Committee for Programme and Coordination in 1997. An OIOS report (E/AC.51/1995/2 and Corr.1, para. 43) has noted the "pertinent observations" on coordination issues in a Department of Humanitarian Affairs report on Rwanda. OIOS will continue giving priority to the oversight of humanitarian and related activities in 1995 and during 1996 and will then be in a better position to present to the Secretary-General and legislative bodies recommendations to help improve humanitarian assistance.

17. OIOS has begun a review of all phases of the procurement process as well as the general organization of this function, including the implementation of recommendations made by the High Level Expert Group in December 1994.

Cost savings and recoveries resulting from actions of the Office of Internal Oversight Services, 15 November 1994-30 June 1995
(Thousands of United States dollars)

Nature of financial implication	*Amount identified and recommended*	*Amount realized* [a]
Recovery of overpayment	8 644	1 118
Prevention of overpayment	3 516	2 315
Actual expenditure reduction	1 069	182
Prevention of excessive or unjustified expenditure	3 280	351
Realized additional income	59	—
Recovery of fraudulent amount	140	15
Total	**16 820**	**3 981**

[a] As of 30 June 1995.

II

Priority areas for oversight

A. Peace-keeping

1. Capacity to learn from experience

18. The United Nations does not have in place proper arrangements for the maintenance of institutional memory or policies requiring the assessments needed to learn systematically from recent experience in peace-keeping.

The United Nations lacks proper arrangements to learn from recent experience in peace-keeping.

Recommendations in the in-depth evaluation report on the start-up phase of peace-keeping operations (E/AC.51/1995/2 and Corr.1) on these issues dealt with end-of-mission assessments; exit interviews, debriefings and mid-mission assessments; a peace-keeping documentation centre; archives and oral histories; and the allocation of responsibility for support functions.

2. Readiness to act

19. The efficient conduct of peace-keeping operations, particularly in the start-up phase, requires the United Nations to maintain a general state of preparedness. This involves, for each substantive component of complex missions and for all support functions, clear assignment of responsibility as well as the development and maintenance of doctrine, standard operating procedures and operationality, including stand-by arrangements. An adequate ready capacity to act exists only in the areas of repatriation and electoral assistance. Recommendations in the in-depth evaluation report on the start-up phase of peace-keeping operations (E/AC.51/1995/2 and Corr.1) on the development of a ready capacity to act were made for the information, human rights, civilian police and the military aspects of operations. The status of a ready capacity to act was also reviewed for support functions and recommendations were made on: planning guidelines, planning for a ready capacity to act within the Secretariat, a standard planning method for the start-up phase, the analytical system for budgeting peace-keeping, security of personnel, standard operating procedures for logistics and personnel, OIOS review of compliance in logistics and procurement, training guidelines and a training plan.

An adequate ready capacity to act exists only in the areas of repatriation and electoral assistance.

3. Allocation of responsibilities between the Department of Administration and Management and the Department of Peace-keeping Operations

20. An inspection was undertaken to develop a better understanding of the rationale for the arrangements made in the course of the last quarter of 1994 and their broad implications. By these arrangements, functions pertaining to personnel administration and recruitment were delegated from the Office of Human Resources Management of the Department of Administration and Management to the Field Administration and Logistics Division of the Department of Peace-keeping Operations. At the same time, certain responsibilities in the area of budgeting and finance were transferred from the Department of Peace-keeping Operations to the Office for Programme Planning, Budget and Accounts of the Department of Administration and Management.

21. Conclusions and recommendations of the inspection were as follows:

(a) The inspection team was of the opinion that the allocation of responsibilities between the Field Administration and Logistics Division and the Peace-keeping Financing Division was warranted, clarified the allocation of responsibilities within the

Department of Peace-keeping Operations and the Office of Programme Planning, Budget and Accounts and specified the reassignment of the related resources/staff on which there was no prior clear agreement between the two departments;

The allocation of responsibilities between the Field Administration and Logistics Division and the Peace-keeping Financing Division was warranted.

(b) In order to maximize the benefit from available resources, the team recommended that the Peace-keeping Financing Division should: speed up the filling of its vacant posts; institute the practice of sending the budget officers to their related field missions for improved knowledge of the mission requirement; and maintain ongoing dialogue and coordination with the Field Administration and Logistics Division;

(c) On the question of the delegation of authority from the Office of Human Resources Management to the Department of Peace-keeping Operations, the team viewed it as a step for improved management of peace-keeping operations, as it stemmed from the principle that those most directly responsible for the work programme were to be provided with the maximum operational authority to accomplish their work. However, the team had concerns over the ability of the Department of Peace-keeping Operations in the immediate future to discharge effectively the resulting additional responsibilities. Therefore, it recommended that the situation be kept under close scrutiny during the initial six months period by all concerned in both departments, particularly the Office of Human Resources Management;

(d) It also recommended that during that period, the Office of Human Resources Management should provide guidance to the Personnel Management and Support Service of the Field Administration and Logistics Division in building up its capacity particularly in the area of staffing policy, determination of skill profiles, training and the administration of entitlements and other benefits.

4. Field Administration and Logistics Division

22. The OIOS inspection review of the Field Administration and Logistics Division identified the following significant problems:

(a) The Field Administration and Logistics Division does not function in an environment that: (i) facilitates operational efficiency; (ii) is conducive to effective internal controls; or (iii) promotes effective resource management. Although part of this is clearly internal to the Division, part is also a result of external factors that have constrained operational capacity;

(b) With regard to personnel, the findings suggest that the Division's complement of staff is inappropriate in mix and, in some respects, insufficient in numbers. They also suggest that some functional responsibilities are not entirely clear, and that certain organizational linkages have clouded accountability and impeded efficiency;

(c) Finally, from a financial point of view, the team found that the Organization: (i) faces potential risk in the form of unrecorded liabilities; (ii) is potentially wasting considerable sums of money owing, *inter alia*, to the lack of adequate asset controls; and (iii) faces potential risk in terms of third-party liability because of uncertain insurance coverage in cases where troops are deployed/rotated under letters of assist.

23. The inspection concluded:

(a) The Field Administration and Logistics Division is not adequately fulfilling its mandate. The ad hoc style of administering field operations which has prevailed should be replaced by a more proactive management approach with coherent, workable policies and procedures, thereby increasing the capacity to respond more predictably and efficiently in support of peace-keeping operations;

The Field Administration and Logistics Division needs a more proactive management approach with coherent, workable policies and procedures.

(b) There were three areas where the inadequacy of staff resources poses a serious risk to the Organization: the Claims Administration Unit within Finance Management and Support Service; asset management and control; and the Staffing Unit within Personnel Management and Support Service;

(c) Notwithstanding any strengthening made possible through Support Account resources, any further requests for additional resources should be subject to: (i) the management of the Field Administration and Logistics Division adequately addressing the organizational and managerial concerns raised in the OIOS report; and (ii) a satisfactory review of the methodology used to calculate the Support Account resources in an effort accurately to relate the needs of support operations to resource requirements;

(d) Finally, the findings of the report suggest that there may be considerable merit to reviewing the operational support requirements from the field perspective. The results of such a field based review would undoubtedly assist in completing the picture regarding the issues affecting the efficiency of peace-keeping operations.

24. In the light of the findings of the review, recommendations were made to and accepted by the management of the Field Administration and Logistics Division. It should be noted that in general, the Department of Peace-keeping Operations has been very responsive to and appreciative of OIOS findings and recommendations, but frequently cites its difficult personnel situation as the major obstacle to swift compliance.

5. International contractual personnel

25. The personnel pilot project of the United Nations Protection Force (UNPROFOR) began in November 1992 as an expeditious way of meeting UNPROFOR's immediate personnel requirements. Under this project, UNPROFOR entered into contracts with a number of companies to provide the services of international contractual personnel. Designated as international service agencies, these companies responded to requests from UNPROFOR by identifying and proposing suitable candidates, and employing successful candidates as their own personnel while they provide services to UNPROFOR. UNPROFOR, in turn, reimburses the international service agencies based on monthly invoices in respect of the direct costs of the contractual personnel (salary, insurance, recruitment fee, travel and mission incentive payment) and a management fee that is based on these costs.

26. The international contractual personnel audit disclosed that controls over the deployment of international contractual personnel were not as stringent as those normally exercised over the deployment of United Nations staff members. Although international contractual personnel were supposed to be recruited for technical and trades and crafts-related functions, a substantial number have been employed to perform administrative core functions that should have been assigned to United Nations staff members. Further, a considerable portion of the services rendered by international contractual personnel could have been obtained through service contracts. Moreover, the audit found that some international contractual personnel were employed in positions that could have been filled by locally recruited staff at significantly lower cost.

Controls over the deployment of international contractual personnel were not as stringent as those normally exercised over the deployment of United Nations staff members.

27. Established procurement procedures were not followed in the tendering exercise for this project, and the relevant contracts between the United Nations and the international service agencies providing such personnel did not adequately protect the interests of the Organization. Weaknesses were also noted in the accuracy and completeness of information provided in support of the international service agencies' billings, and in the checks carried out by UNPROFOR prior to authorization of invoices for payment. UNPROFOR paid for insurance in excess of what was needed. As a result of the audit, an amount of more than $200,000 was recovered and another $300,000 is pending recovery. Inadequate financial checks were performed on the international service agencies, which in some cases lacked a previous performance history and had limited assets. A thorough credit review would have disqualified them from doing business with the United Nations unless a performance bond or additional financial guarantees were provided.

28. The pilot project represented a significant departure from the traditional methods of deploying personnel to peace-keeping missions. In the opinion of OIOS, however, the Field Administration and Logistics Division did not provide sufficient policy guidance and oversight of the

project during the course of its initial development and implementation. The lack of appropriate involvement early on in the project on the part of the Department of Peace-keeping Operations and the Office of Human Resources Management and the Office of Legal Affairs defeated the control element of checks and balance and, consequently, a number of legal and personnel issues requiring policy clarification became apparent as the pilot project evolved.

29. A detailed report on the audit of this project and actions taken by the Department of Peace-keeping Operations in response to it is contained in document A/49/914. In spite of the findings noted above, the audit concluded (A/49/914, annex, para. 35) that the UNPROFOR pilot project's approach was a workable alternative method of supporting other peace-keeping operations, where circumstances clearly warranted that approach. Those circumstances might include, for example, cases where the local labour market was limited or where the prevailing political conditions required the use of international personnel. However, the scope of such a programme should be closely monitored to ensure that contractual personnel were deployed only in those situations where staffing needs could not be filled through the existing United Nations staff recruitment mechanisms, or by contracting for the services required.

The approach of the UNPROFOR international contractual personnel pilot project is a workable alternative method of supporting other peace-keeping operations.

6. United Nations Logistics Base at Brindisi

30. In the beginning of June 1995, auditors completed the first phase of the review of operations of the United Nations Logistics Base at Brindisi, Italy. The review by the Audit and Management Consulting Division of OIOS disclosed that the Base was a viable means of meeting the Organization's need for a central storage facility to support its peace-keeping operations. Huge stocks of materials, equipment and supplies were received from closed missions (e.g. the United Nations Operation in Somalia II (UNOSOM II) and the United Nations Operation in Mozambique (ONUMOZ)). A considerable volume of stocks had been sent out to new and expanding missions such as the United Nations Mission in Haiti (UNMIH) and the United Nations Angola Verification Mission III (UNAVEM III). A limited capacity to refurbish used vehicles and equipment was already in place. During the course of the review, auditors noted some inadequacies and issues of importance to the management: (a) the lack of an authorized budget for the United Nations Logistics Base; (b) the need to establish a clear line of authority; (c) the necessity to expedite the receiving and inspection process in respect of stocks received from UNOSOM II; (d) inadequate inventory procedures; (e) the lack of proper management of activities relating to shipments between the United Nations Logistics Base and the missions and between the missions themselves; (f) deficient packing and storage procedures at certain missions; and (g) the lack of formal guidelines relating to direct procurement by peace-keeping missions *vis-à-vis* the available stock at the United Nations Logistics Base. Findings were communicated to the Department of Peace-keeping Operations and towards the end of 1995 the Audit and Management Consulting Division will follow up the implementation of its recommendations. A report on this audit will be submitted to the General Assembly at its fiftieth session.

7. Overall results of audits of missions

31. During the reporting period, audits of the following major peace-keeping and maintaining operations were conducted: UNOSOM II, UNPROFOR, the United Nations Mission for the Referendum in Western Sahara (MINURSO), UNAVEM II, ONUMOZ, the United Nations Observer Mission in El Salvador (ONUSAL), the United Nations Observer Mission in South Africa (UNOMSA), the United Nations Assistance Mission for Rwanda (UNAMIR) and the United Nations Observer Mission in Liberia (UNOMIL). Some of these operations (e.g., UNOSOM II and UNPROFOR) were audited twice. In addition, OIOS resident auditors stationed in UNPROFOR, UNMIH, UNOSOM II and in UNAVEM III provided continuous audit coverage of these operations.

32. These audits of peace-keeping operations showed cases of excessive compensatory time off by military observers, civilian police and military staff officers, overpayment of mission subsistence allowance to international staff and delay in their recovery, instances of unauthorized use of aircraft for non-official purposes, expenditures incurred either without proper allotments or exceeding allotments, lack of budgetary controls, excessive and unjustified claims for some transport charges, inadequate control over cheque operations, lack of control over the use of vehicles and communication facilities,

inefficient utilization of accommodation facilities, lack of clear policy on PX operations, and unauthorized major commitments without review by the Local and the Headquarters Committees on Contracts. There was also a case noted relating to shortage in the delivery of fuel that resulted in a loss of $540,000. With regard to accounting and record-keeping, the reliability and integrity of accounting records were found highly questionable. For example, cash on hand in different currencies revealed credit balances in the total amount of $10,603,691 and credit balances in three different bank accounts were noted totalling $7,100,106 although there is no credit line with any of these banks.

33. The Audit and Management Consulting Division recommended changes in compensatory time off policies for military and civilian police in order to prevent abuse. The Department of Peace-keeping Operations should issue additional guidelines in order to ensure that the Organization's aircraft are primarily used for official purposes, and for rest and recreation purposes only under clearly defined restrictions. Control over cheque operations and property should be improved; effective budgetary control and efficient utilization of property should be ensured; major contracts should be reviewed by the Local and Headquarters Committees on Contracts prior to entering any commitments.

8. Problems specific to individual missions

UNPROFOR

34. Two audits of UNPROFOR, the international contractual personnel (see paras. 25-29 above) and the review of the civilian component, were conducted at the request of the General Assembly (resolution 49/228, paras. 7 and 8). In the management audit of the civilian component of UNPROFOR, carried out in April-May 1995, the Audit and Management Consulting Division noted unnecessary, excessive and extravagant expenditures. These included the purchase of uniforms for civilian personnel deemed unnecessary, snow scooters that were not put to use and therefore have remained idle, luxurious heavy buses, and excessive drinking water supplies. More than 1,400 generators were purchased in excess of actual needs, many of which were still found intact in their shipping crates and had remained there for further inspection and testing.

The management audit of the civilian component of UNPROFOR revealed unnecessary, excessive and extravagant expenditures.

UNOSOM II

35. A resident audit team was posted to Mogadishu during the period from June 1994 to May 1995 to provide continuous audit coverage of UNOSOM. During this time, the resident audit staff reviewed all major UNOSOM activities, including procurement, transport, building management services, communications and finance and accounts. All major contracts were audited, including contracts for food rations and potable water, fuel, road transportation, freight forwarding, firefighting, construction, engineering consultancy, hotel accommodations and sanitation/waste removal. These audits disclosed serious internal control deficiencies resulting in significant monetary losses to the Organization.

36. An audit of the UNOSOM II fuel distribution contract revealed that $369,000 was paid to the contractor for services not rendered. An excessive number of delivery trips during the period from April to July 1994 resulted in additional overpayments totalling $540,000. The audit also found that, although not stipulated in the contract, UNOSOM II provided six tanker trucks valued at $312,000 for the contractor's use. At the same time UNOSOM II had to hire trucks to meet its own requirements. Two of the trucks were subsequently stolen from the contractor. Moreover, UNOSOM II paid the contractor for the operation and maintenance of fuel bladders at rates that were higher than the rates quoted in the original tender. This resulted in a further loss of $100,000 to UNOSOM II. The management of UNOSOM II agreed to recover $909,000 of overpayments made to the contractor as recommended by the Audit and Management Consulting Division.

UNOSOM II management agreed to recover $909,000 of overpayments made to the contractor as recommended by the Audit and Management Consulting Division.

37. An audit of the UNOSOM II food rations contract disclosed a number of deficiencies in contract administration that resulted in significant losses to the Organization. UNOSOM II transferred food rations worth $1.5 million to the contractor in December 1993, but failed to recover the costs until it was pointed out by the resident

auditor in August 1994. It was determined that during the period from January to June 1994, UNOSOM II procured potable water from the open market at a cost of $0.25 per litre rather than purchasing water from the food rations contractor at the contract price of $0.10 per litre. This resulted in additional costs to UNOSOM II of approximately $1 million. Management agreed with the recommendation of the Audit and Management Consulting Division to stop purchasing water from the open market, thereby saving $160,000 per month. The audit also found that UNOSOM II allowed the rations contractor to use United Nations-owned and leased containers and refrigerators, even though the contract specified that such containers were to be provided by the contractor. This resulted in a loss of more than $90,000 to UNOSOM II. Further, no records were maintained by UNOSOM II regarding the numbers of containers and refrigerators loaned to the contractor. It was therefore recommended that UNOSOM II recover all United Nations containers from the contractor. The Audit and Management Consulting Division's audit of outstanding claims relating to this contract raised a number of other audit issues and final settlement with the contractor is pending arbitration.

UNOSOM II transferred food rations worth $1.5 million to the contractor in December 1993, but failed to recover these costs until it was pointed out by the resident auditor in August 1994.

38. The audit of expenditures for firefighting services disclosed that UNOSOM II incurred unnecessary training charges and paid $105,000 more than it should have for the transportation of firefighting equipment. It was recommended that UNOSOM II investigate the transportation charges and recover any overpayment in excess of commercial freight costs. A review of invoices for road transportation of UNOSOM II containers revealed that invoices totalling $40,600 were fraudulent. Based upon further review of the invoices by UNOSOM II, downward adjustments were made amounting to $95,000. Similarly, the audit of the contract for construction of an 800-man camp resulted in the Audit and Management Consulting Division recommending a downward cost adjustment of $122,700. Based on this recommendation, the contractor was paid $831,605 against $954,366 claimed.

39. The General Assembly, in paragraph 1 of its resolution 49/229 of 23 December 1994, requested the Secretary-General to give a written report to the General Assembly no later than 31 January 1995 on the progress of the investigation undertaken by OIOS and action thereon to determine responsibility for the theft of $3.9 million from UNOSOM II and to recover the missing funds, as well as disciplinary measures taken in that regard and controls put in place to avoid the recurrence of similar incidents in future. The report (A/49/843) covered in detail the immediate measures taken, the findings of the investigation and corrective actions recommended by OIOS and those taken by the United Nations administration. It also covered the investigation by Scotland Yard. The OIOS investigation contained findings on:

(a) The amount of cash that had been allowed to accumulate;

(b) General security conditions at the Embassy Compound;

(c) Security conditions in the administration complex;

(d) Security at the cashier's office;

(e) Examination of the crime scene;

(f) Management accountability.

40. The Audit and Management Consulting Division recommended corrective measures to UNOSOM II concerning:

(a) Security of the cashier's office;

(b) Minimizing cash holding;

(c) Improvement of cash management;

(d) Institution of controls on cash handling;

(e) Updating of accounts.

41. Action by the United Nations administration was recommended in the following areas:

(a) Protection of assets in peace-keeping missions;

(b) Disciplinary and related matters;

(c) Implementation of the recommendations made by the Headquarters investigation team.

42. The audit of Mogadishu Port Authority showed that its operations were initiated under the overall supervision of UNOSOM II without the proper administrative and legal framework. This resulted in non-observance of basic United Nations financial and administrative rules. Since the operations of the Mogadishu Port Authority were terminated soon after the audit was completed, little could be done to correct the deficiencies. The Audit and Management Consulting Division recommended that a staff member should be designated to recover the outstanding amounts owing to the Mogadishu Port Authority.

MINURSO

43. An audit of MINURSO was conducted to review implementation of prior audit recommendations, and to investigate allegations of irregularities and mismanagement. Document A/49/937 contains a summary of the major findings, recommendations and follow-up on the prior audit recommendations. The allegations, made by the former Deputy Chairman of the MINURSO Identification Commission, while primarily political in nature and therefore not within the scope of an audit, also concerned management of the process of identifying potential voters, the utilization of Identification Commission staff, the content of the weekly reports, and the utilization of resources. Document A/49/884 contains a report on the allegations, the investigation of which concluded (A/49/884, annex, para. 34):

> "... the present Deputy Special Representative is held in high esteem, and his negotiating skills, as well as his credibility with the parties, were generally well appreciated. It appeared to us that the complaints were triggered primarily by frustration as a result of non-extension of contract and personal animosity. MINURSO has faced regular audits. While the administrative performance of the Mission has not been flawless, the Mission has been responsive to the audit recommendations and has taken, by and large, prompt follow-up action to correct mistakes. It should be noted that before his departure, [the former Deputy Chairman] never called the attention of visiting auditors to any improprieties."

B. Humanitarian and related activities

1. Office of the United Nations High Commissioner for Refugees

44. During the reporting period, UNHCR projects in Armenia, Bangladesh, Belize, Benin, Botswana, Burundi, Chad, China, the Congo, El Salvador, Georgia, Ghana, Guinea, Hungary, India, Iraq, Kenya, Laos, the Libyan Arab Jamahiriya, Namibia, Somalia, Thailand, Togo, Uganda, Venezuela, the former Yugoslavia, Zaire and Zambia were audited.

45. Audits of UNHCR were generally focused on the implementation of country programmes carried out by non-governmental organizations or government agencies of the country concerned and UNHCR offices. Audits revealed non-compliance with agreements with UNHCR, lack of accountability for expenditures, absence of optimal procurement arrangements, substandard property control and ineffective distribution of relief items to the refugee caseloads. One significant cause for the deficiencies and shortcomings noted was that, in many cases, implementing agencies did not have adequate staffing or infrastructures for meeting UNHCR's requirements in financial and operational terms. There were also other reasons such as difficult and rapidly changing circumstances in field agencies mainly preoccupied with their own requirements and objectives, as well as poor management and control on the part of UNHCR.

46. It was therefore recommended that UNHCR enhance its capacity for financial monitoring and control over its implementing partners so that instances of non-compliance with the terms of the subagreements signed with those partners could be disclosed at an early stage and their strengthening or other remedial actions initiated expeditiously.

2. Humanitarian aspects of peace-keeping

47. On the humanitarian aspects of peace-keeping, the in-depth evaluation report on the start-up phase of peace-keeping operations (E/AC.51/1995/2 and Corr.1) contained a review of, and recommendations on, early warning activities (including the establishment of an early working focal point in the Executive Office of the Secretary-General), the mobilization of international emergency response and the coordination of humanitarian assistance.

3. Centre for Human Rights

48. The programme and administrative practices of the secretariat of the Centre for Human Rights was reviewed in the second half of 1994. The results of the inspection are set out in a report to the General Assembly (A/49/892). The inspection dealt with organizational structure, programme of work, programme oversight and administrative and financial control.

49. The inspection team was of the opinion that a fundamental reappraisal and restructuring of the Centre's programme of work was urgently needed. The restructuring should focus the programme on priority objectives and strategies that strengthen its effectiveness and clearly define the mission of the Centre in general and the Office of the United Nations High Commissioner for Human Rights in particular. The restructuring was to be

followed by a reorganization of the Centre's secretariat. Both exercises were to be completed by December 1994.

The inspection team was of the opinion that a fundamental reappraisal and restructuring of the Centre's programme of work was urgently needed.

An effective programme oversight mechanism was to be established immediately within the office of the Assistant Secretary-General to provide coordination, coherence and guidance in the formulation of the work programme and assistance in designing procedures for monitoring implementation, assessing results and reviewing progress made. Other topics on which recommendations were made included the quality of servicing provided to human rights organs and bodies, the administrative unit, technical cooperation projects, staff training programmes and computerization of the Centre.

50. The report to the General Assembly contained a review of compliance as of 31 March 1995 by the Centre with the recommendations of OIOS. Compliance by the Centre with the recommendations was further reviewed for the period ending 30 June 1995. This review indicated that little progress had been made in terms of the Centre's proposed multi-phase restructuring exercise. In fact, the reaction to the OIOS recommendation on the need to focus on priority objectives and strategies to strengthen effectiveness and define the mission of the Centre and the Office of the High Commissioner for Human Rights in the context of the Vienna Declaration and Programme of Action (A/CONF.157/22 (Part I), chap. III), continues to be slow. While some steps have been taken, mainly in the form of management-staff dialogue, the more substantial part of the restructuring which is to lead towards the reorganization of the Centre's secretariat still had not been initiated pending an outside consultant's review. Tangible improvements were made in response to the OIOS recommendations which pertained to the strengthening of the Administrative Unit, staff training programmes and the computerization of the Centre, all of which had been addressed by the Centre.

C. Procurement

51. During the period under review there were 224 audit recommendations in the area of procurement. Significant

There are deficiencies in the general organization of the procurement function and in all phases of the procurement process.

findings from these audits include deficiencies in the general organization of the procurement function and in all phases of the procurement process:

(a) General problems in the organization of the procurement function:

(i) The Procurement Manual was outdated and did not provide detailed internal control procedures;

(ii) Lack of proper training and experience by some procurement officers;

(iii) Lack of budgetary mechanism to ensure that sufficient controls exist and such controls are strictly followed and monitored;

(b) Planning and initiation of contracts:

(i) Non-establishment of lead times for all the stages of the procurement cycle and inadequate coordination between all parties;

(ii) Abuse of emergency purchases and the use of immediate operational requirements in the field missions resulting from poor or inadequate planning;

(c) Processing of bids and awarding of contracts:

(i) Lack of fair and competitive bidding;

(ii) The United Nations vendor roster was not regularly reviewed and updated;

(iii) Improper evaluation of vendors' proposals resulting in the wrong choice of contractor;

(iv) Contractual obligations were entered without first informing the Advisory Committee on Administrative and Budgetary Questions;

(d) Management and monitoring of contracts:

(i) Untimely approval of contracts or amendments;

(ii) Delay on the part of the contractor and failure to penalize the vendor for non-fulfilment of contract terms;

(iii) Payments for goods delivered and services rendered made without valid or established contracts;

(iv) Shortcomings in payment procedures.

52. OIOS concurred with the identification of the main problems by the external auditors, and the High-level Expert Procurement Group. The report on the in-depth evaluation of the start-up phase of peace-keeping operations contained recommendations on standard operating procedures for logistics and procurement and on an OIOS review of compliance with the consolidated recommendations of the Logistics Working Group and the High-level Expert Procurement Group. A recent audit review of procurement issues indicates that progress in implementing the recommendations of the High-level Expert Procurement Group and of the internal and external auditors is slow and has to be significantly accelerated. An OIOS audit communication on this matter was being finalized at the time of issuance of the present report.

III

Summary of major activities by oversight function

A. Audit and management consulting

1. General observations

53. During its first year within OIOS, the Audit and Management Consulting Division continued to conduct independent audits in conformity with generally accepted auditing standards of all United Nations activities world wide for which the Secretary-General has administrative responsibility. These activities comprised those financed from both the United Nations regular budget and extrabudgetary funds. In accordance with General Assembly resolutions and the Secretary-General's directives, and in line with the aforementioned standards, the reviews of the Audit and Management Consulting Division encompassed the financial and administrative as well as the management and programme aspects of those activities.

54. Most vacancies in the Audit and Management Consulting Division have been filled. Women's representation improved: four Professional women, two P-4s and two P-2s, were recruited internationally during the past 10 months. However, new staff still need time to make adjustments, and adapt themselves to the United Nations systems (administrative, financial, information, etc). It will therefore take some time before they can contribute effectively to the Division.

55. During the reporting period, the Division continued to develop the scope and objectives of management auditing in the United Nations. It identified management problems and developed detailed recommendations for improvements. It undertook management surveys, reviewed organizational structures in order to suggest more effective ones and looked into productivity issues. The Division also rendered advice to management, suggested improvements in streamlining management structures, in planning, monitoring and budgeting, work processes and use of human resources. The participation of auditors as observers in the work of Committees on Contracts at Headquarters, Geneva, Nairobi and peace-keeping operations where there are resident auditors provided an opportunity to advise on procurement. In response to the Secretary-General's policy on accountability and responsibility, the Division modified its approach to reporting and now more frequently names in internal and confidential reports the persons responsible for mismanagement, waste or other irregularity. In cases where it was deemed appropriate, the Division recommended not only recoveries from but also administrative action against individuals responsible for damages caused to the United Nations.

56. During the reporting period, the Division/OIOS hosted and organized the Twenty-sixth Annual Meeting of Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions, which was held from 22 to 24 May 1995. The objective of the meeting was to exchange practical experience and develop modalities for future cooperation and coordination of audits. Issues and topics discussed included the emerging role of OIOS, development of an effective system of accountability and responsibility, auditing aspects in United Nations peace-keeping missions, procurement and inventory policies and ways of increasing cooperation among oversight bodies of the United Nations system. The Under-Secretary-General for Internal Oversight Services, in his capacity as chair of the meeting, delivered a keynote speech on the role of his recently established office. Several senior United Nations officials were invited to address the meeting, including the Under-Secretaries-General for Administration and Management, Peace-keeping Operations and Humanitarian Affairs and the Assistant Secretary-General for Conference and Support Services, as well as the Chairman of the Joint Inspection Unit and the Acting Director-General of the European Regional Commission.

57. The Audit and Management Consulting Division opened 65 audit assignments between 15 November 1994 and 30 June 1995, broken down as follows:

Headquarters section	10
Peace-keeping section	12
Field section	5
Electronic data processing/management audit section	7
European section	8
African section	8
UNHCR section	15
	65

58. During the reporting period these audits resulted in 165 audit communications, which contained 1,195 recommendations categorized by the following objectives:

Compliance with United Nations policies, plans, procedures, rules and regulations	496
Economic and efficient use of resources	241
Protection of assets	188
Adequacy of internal controls	207
Achievement of objectives	63
	1 195

59. These recommendations were given in the following areas:

Programme/project management	301
Procurement	224
Property management	106
Cash management	110
Information systems	25
Financial accounting/reporting including budgeting	205
Personnel/payroll/travel, including consultancy	224
	1 195

60. A review of audits conducted during the reporting period showed that more than 50 per cent of all audit findings reflect weaknesses in the internal control system. In many cases, essential elements of internal control were lacking; in other cases, control techniques applied were inadequate. OIOS is convinced that the Department of Administration and Management embraces the notion of internal control as a managerial responsibility that cannot be left to an Organization's oversight services, and that efforts to improve the internal control system or the internal control techniques are under way. For the record, OIOS wishes to point out that the basic function of internal control is to provide reasonable assurance that management's objectives are achieved. This includes:

More than 50 per cent of all audit findings reflect weaknesses in the internal control system.

(a) Effectiveness and efficiency of operations;

(b) Reliability of financial reporting;

(c) Safeguarding of resources;

(d) Compliance with rules, regulations and management directives.

61. A supportive attitude of senior management towards internal control is therefore required as a foundation for all other components of internal control. OIOS is convinced that the formal adoption of a set of internal control standards for the United Nations would confirm senior managements' support for internal controls and their determination to establish an effective internal control structure; the adoption of such standards should therefore be the first step on the way to an adequate internal control system. The United Nations would not even have to invent and elaborate its own standards but could rely on and adopt generally accepted internal control standards such as those issued by the International Organization of Supreme Audit Institutions, which reflect the state of the art agreed upon by almost all States Members of the United Nations and could also satisfy the needs of an international organization. Similar standards have been developed by the Committee of Sponsoring Organizations of the Treadway Commission.

A supportive attitude of senior management towards internal control is required as a foundation.

62. The internal control standards to be adopted would include general standards such as requiring managers to monitor continually their operations and to take prompt, responsive action on all findings of irregular, uneconomical, inefficient and ineffective operations. Other more detailed standards relate to documentation, prompt and proper recordings of transactions and events, authorization and execution of transactions and events, separation of duties, supervision, and access to and accountability of resources and records. These standards would constitute a benchmark against which existing control structures could be assessed. The standards would have to be complemented by specific control objectives and control activities identified or developed for different United Nations departments/agencies or different categories of

United Nations operations. OIOS is ready to assist management in identifying and developing such specific control objectives and activities. At the same time, OIOS will continue to play its own role in monitoring and evaluating internal controls and in bringing deficiencies to the attention of management and, where appropriate, of the General Assembly.

2. Significant findings and recommendations

Peace-keeping operations

63. See paragraphs 18 to 43 above.

Projects/programmes

64. During the reporting period, OIOS audited United Nations technical cooperation projects in China, Ethiopia, the United Republic of Tanzania and South Africa and several major programmes and operations as well as the United Nations Access Control System and a major contractor. In audits of projects and programmes, serious weaknesses were noted in internal controls, as well as mismanagement, poor project management, lack of proper planning, irregularities in procurement, inadequate planning and the lack of monitoring and supervision of the project. In some of these audited projects, no feasibility studies or cost-benefit analysis had been undertaken prior to their inception.

65. In the audit of the United Nations Access Control System project, management deficiencies were revealed, including weaknesses in internal controls and the failure of the concerned officials properly to monitor the project. The project's failure resulted in a significant waste of the United Nations resources amounting to more than $1 million.

66. Results of audits of 14 technical cooperation projects executed by the Department of Development Support and Management Services and other projects revealed cases where services were procured without establishing contracts; there was unsatisfactory implementation of the project; and contracts or amendments were signed *ex post facto*. Other problems included: overbudgeting; failure to ensure satisfactory contractual performance; absence of competent technical advisers; and failure to observe United Nations rules, regulations and procedures.

67. The Audit and Management Consulting Division recommended the development of standard project management guidelines that would provide appropriate controls and ensure that projects were properly planned, managed and overseen, and adequately monitored and supervised, and that their objectives were achieved. The guidelines should also include system development projects, and cover all aspects of the system development process, such as project management, development methodology, system design objectives, system construction, testing, implementation, documentation, backup and version control and quality management. A project feasibility study should precede every major project. The other remedial measures recommended include the need for a tighter supervision and monitoring of projects as well as the strict enforcement of proper segregation of duties to enhance controls. There was also a need to improve budgetary controls and, therefore, procedures would have to be established in that respect, especially in major projects.

European operations

68. Major assignments performed by the Audit and Management Consulting Division's European Section included the United Nations Office at Vienna (administration and common services; visitors' services, postal administration); the International Court of Justice; the United Nations University Institute for New Technologies (UNU/INTECH), the United Nations Office at Geneva (budgetary controls, procurement, property control, visitors' service, travel); the Economic Commission for Europe (ECE); the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991.

69. Audits of corporate contracts disclosed cases of inadequate planning; questionable bases for price increases after contracts were awarded; lack of independent checks of extra work orders and their formal approval; and delays

Audits of corporate contracts disclosed procedures not leading to fair and competitive prices.

in the signing of contracts. Irregular bidding processes and procedures were disclosed: bidding was being conducted by unauthorized officials contrary to existing Financial Rules; procedures not leading to fair and competitive prices; lack of proper screening of potential vendors; bids of proposals obtained through limited invitation from short-listed vendors; Committee on Contract's advice not sought for contracts exceeding $70,000 prior to

commitment; and extra work/variation orders not properly approved or paid without any amendment made to the contract. In the audit of short-term and consultancy contracts, the following findings were disclosed: an irregular hiring of a United Nations retiree; overlapping of contracts; excessive consultants fees paid; a consultant hired but not selected from the roster of qualified candidates; and consultancy contracts signed prior to approval by the personnel office.

70. The Audit and Management Consulting Division recommended adequate planning of major improvements be made through conduct of feasibility studies. The bidding process and procedures should also be strictly observed to ensure that fair and competitive prices are obtained, and the advice of the Committee on Contracts be timely and regularly obtained. Proper segregation of duties should be strictly followed. The Purchase and Transportation Service should assume its role in the purchasing process under the clearly defined scope of its basic functions and should not process invoices in any stage nor even participate in the contract administration. Likewise, substantive offices should not interfere in any phase of the bidding process. Furthermore, it was recommended that appropriate steps be taken to strengthen controls over consultancy contracts, and the requirements under financial rule 114.1 on the personal accountability to be applied to United Nations officials whose actions resulted in the waste of resources for overlapping contracts.

African operations

71. The Audit and Management Consulting Division's African Section conducted major audits at the Economic Commission for Africa (ECA), MULPOCS at Tangiers and Niamey, Mogadishu Port Authority, the United Nations Centre for Human Settlements (Habitat) (UNCHS), the United Nations Environment Programme (UNEP) (consultancy, cash management, staff entitlements, gift shop, projects in Africa implemented by UNEP and the Department for Development Support and Management Services.

72. The audit of UNCHS revealed that proper control was not maintained in hiring outside expertise under reimbursable loan agreements. As a result, the terms of reimbursable loan agreements were less favourable than those for experts hired under special service agreements. The selection of candidates did not include comparison of their proposed fees. In one case, a staff member was able to obtain reimbursable loan agreements amounting to $98,000 for a company in which she had been a partner before joining the United Nations and with whose director she was closely associated. UNEP control over operations of two of its regional offices was found inadequate. In the audit of the Department of Development and Support Management Services, the lack of a penalty clause in its subcontracts was noted. The Audit and Management Consulting Division recommended that UNCHS should review its procedures to ensure competitiveness in selection of sources of outside expertise and to strengthen the controls over hiring the consultants under reimbursable loan agreements. UNEP should strengthen controls over operations of its regional offices. The Department for Development Support and Management Services was advised to include the penalty clause in its subcontracts.

Administration of trust funds

73. The Audit and Management Consulting Division's reviews of trust funds revealed certain deficiencies in the accountability of the United Nations, including non-compliance with relevant guidelines, absence of proposals for establishment of trust fund and basic agreements with donors, lack of substantive reports and deficiencies in the preparation of the cost plans and allotment control resulting in overexpenditure. In the case of the Taejon International Expo Trust Fund, for example, remunerations amounting to $82,160 were paid to a former staff member who was appointed under special service agreement as Commissioner General for the Exposition, which exceeded the limit of $12,000 set by the General Assembly. The Audit and Management Consulting Division recommended that management reassess the remuneration payments and take appropriate actions in this regard. The Department of Public Information was also asked to close the Trust Fund without delay and to return any unexpended balance to the donor.

Electronic data-processing systems

74. The use of information technology and systems is a cornerstone of efforts to improve programme management and administration throughout the Organization. Releases 1 and 2 of the new Integrated Management Information System (IMIS), as an example, are now fully operational at Headquarters. As part of continued monitoring of this important project, recommendations were made to increase training effectiveness and ensure the delivery of quality software. In addition, improvements in data-processing operations, contingency planning, disaster recovery, system

security, project management and organizational changes reflected the Audit and Management Consulting Division activity. Recommendations were made with respect to payroll systems and processes as well as improvements to strengthen internal administrative and processing controls. Finally, recommendations with measurable cost-saving implications were made for improving the use of communications technology in the area of telex.

Personnel/Payroll

75. In the audit of the payroll system, auditors identified some weaknesses and deficiencies that were, at the date of submission of the present report, still being discussed with the Department of Administration and Management. The same holds true for the audit of the education grant, where some cases were identified as containing significant errors and immediately corrected by management, while other cases are still contested.

76. As a routine assignment the Audit and Management Consulting Division audits cases of extended sick leave to verify eligibility of the staff to take such leave at the expense of the Organization. Internal controls in this area should be strengthened in order to prevent fraud and abuse. The Division and the Investigations Unit will continue their efforts to ensure that steps are taken in this direction.

As a routine assignment the Audit and Management Consulting Division audits cases of extended sick leave.

Joint Staff Pension Fund

77. The Standing Committee of the United Nations Joint Staff Pension Fund (UNJSPF), as a first step to institute its internal audit, recommended at its 177th meeting, held from 10 to 14 July 1995, that a budgetary provision be made for internal audit for the biennium 1996-1997. OIOS considers the envisioned amount to be inadequate in the light of the magnitude of the operation and the risks involved and will continue a dialogue with the JSPF secretariat and the legislative bodies on this question.

Office of the United Nations High Commissioner for Refugees

78. See paragraphs 44 to 46 above.

Cash management

79. In general, the control of cash should be further strengthened, including physical security, and cash management should be improved. Many audits identified such problems as private cheques (even vendors' cheques) that were being encashed by the cashiers out of funds in their custody, reconciliations of cash not being performed on a regular basis, old reconciling items not being cleared, cash advances remaining uncleared for long periods and improperly credited cash receipt vouchers. An audit of UNPROFOR showed weaknesses in controls concerning cash imprest funds, such as access to cash funds was not controlled, cash deliveries to sectors were not immediately confirmed and there was a lack of monitoring by the Chief Financial Officer. Furthermore, a cash shortage was also noted in the Chief Cashier's imprest.

Certifying and approving functions

80. Serious problems resulting in financial losses to the Organization were attributable in about 30 per cent of cases to the failure of the certifying and approving officers to execute their functions as prescribed. Almost 50 per cent of the Audit and Management Consulting Division's findings referred to non-compliance with existing rules, regulations and instructions. In many cases, existing control measures were overridden by those officers. Some certifying officers lacked the knowledge of pertinent rules, regulations and administrative instructions. Payments were approved in many cases lacking supporting documentation. In a number of cases, officers knew that certain expenditures were not legitimate owing to insufficient funds or existence of specific rules and instructions prohibiting such expenditures. Unless the administration makes special efforts to regulate the performance of the certifying and approving officers, the Organization will not be able to secure value for the money it spends.

Almost 50 per cent of the Audit and Management Consulting Division's findings referred to non-compliance with existing rules, regulations and instructions.

81. It is noteworthy that as a result of the Audit and Management Consulting Division's audits of UNHCR field offices and programme activities, the High Commissioner issued a memorandum promoting the principles of responsibility and accountability among the UNHCR

representatives. She reiterated that each was personally responsible and accountable for compliance with rules, policies and procedures governing financial, administrative and programme matters in their field offices, including effective controls to prevent loss or improper use of UNHCR's assets, and for taking prompt and effective action where poor performance of implementing partners jeopardized the attainment of programme objectives.

Savings and recoveries

82. The potential cost savings or recoveries resulting from the Audit and Management Consulting Division recommendations and corrective action during the reporting period amounted to more than $16 million. The total amount already saved or recovered is almost $4 million. See the box after paragraph 17 for a detailed breakdown.

The potential cost savings or recoveries resulting from the Audit and Management Consulting Division recommendations and corrective action during the reporting period amounted to more than $16 million.

B. Investigation

83. During the period from 15 November 1994 to 30 June 1995, the Investigations Unit received 63 complaints and completed 16 investigations. Brief descriptions of the main investigations follow.

Investigation of the theft of $3.9 million in UNOSOM

84. On 2 February 1995 the Secretary-General submitted to the General Assembly a progress report (A/49/843) on the investigation and action taken to determine responsibility for the theft of $3.9 million in UNOSOM (see paras. 39-41 above).

Investigation of allegations of wrongdoing by an UNRWA staff member

85. An OIOS team, including two auditors, conducted an investigation of an allegation by a Member State that the contractor for a pilot irrigation project had transferred a total amount of $110,000 to the private bank accounts of the Director of UNRWA's Project and Development Office. The team found that the UNRWA official had: (a) retained $100,000 of project funds in his private bank account, agreed to act as cashier for the contractor, and failed to disclose that private arrangement to the Administrator; (b) failed to disclose his potential personal benefit in the project; (c) requested payment of the project's second instalment from the donor, knowing that a key condition for that payment, completion of the project's first phase, had not been met; and (d) failed to ensure that a proper accounting and reporting system was in place. The OIOS investigation concluded that the official had committed misconduct and recommended disciplinary action. OIOS also concluded that while the project was poorly monitored there was no evidence of wrongdoing on the part of UNRWA as an agency. An UNRWA Joint Disciplinary Committee recommended in a report dated 6 January 1995 that the staff member be summarily dismissed for "serious misconduct". This recommendation was immediately implemented by the Commissioner-General of UNRWA.

Investigation of alleged misappropriation of United Nations assets at the Gift Centre

86. The investigation focused on the operation of the Gift Centre during the period from January 1992 to June 1994. It found that during the biennium 1992-1993 the Gift Centre's net income had decreased by 57 per cent compared with the biennium 1990-1991 and uncovered several instances where the Gift Centre's procedures were circumvented by the contractual staff. This led OIOS to question the competence of management and the adequacy of supervision by the Commercial Activities Service, the Gift Centre's overseer. The report included 27 recommendations to the Service, the objectives of which can be grouped as follows: (a) to conduct an in-depth analysis of the Gift Centre's revenues and expenses and submission of the results of such analysis to OIOS; (b) to improve procedures for the preparation of invoices, purchase orders, inspection and receiving reports; (c) to comply with the Gift Centre's manual of internal procedures; and (d) to increase presence and visibility in the Gift Centre of the Administrative Officer of the Service so as to monitor more closely contractual staff performance. The Service agreed with the OIOS recommendations, but disagreed over the size of the inventory shrinkage. Using different estimating procedures, the Service recalculated the inventory shrinkage, resulting in a lower estimate which it claims is

within industry norms. OIOS is reviewing the procedures used by the Service to calculate its estimate. The Service is considering new options concerning the operation of the Gift Centre, including contracting out the entire operation or retaining a labour broker with experience in retailing.

Investigation of misappropriation, fraudulent encashment of travellers cheques

87. Work continued on action begun during the previous reporting period concerning the misappropriation of $28,000 in travellers cheques by a travel assistant in the Administrative Office of the United Nations Special Commission (UNSCOM). As a result of the cooperation between OIOS, OLA and the New York City law enforcement authorities, the former staff member was convicted in March 1995 of misappropriating $28,000 of United Nations funds. Sentencing by the New York State Supreme Court is pending while the former staff member completes her commitment to make full restitution to the United Nations. Partial restitution of $15,000 was made on 6 July 1995, with the balance to be paid by October 1995.

Based on evidence gathered by OIOS, the United Nations was able to secure the conviction for a criminal act of a staff member and to effect full eventual restitution of the misappropriated funds.

88. Based on evidence gathered by OIOS and its preparation of the case, the management of the United Nations was able to go beyond the administrative action of summary dismissal of the staff member. It was able, with the cooperation of local law enforcement authorities, to secure the conviction for a criminal act of a staff member and to effect through court action, for the first time, an eventual full restitution of the misappropriated funds from the staff member. This is convincing proof that United Nations management is now determined to pursue court action to punish violators and recover its assets. It should serve as a strong deterrent to future violators.

Investigation of an allegation concerning abuse of authority in ONUSAL

89. OIOS conducted an investigation into allegations that a senior manager in ONUSAL had abused his authority by: (a) appointing a staff member with whom he had a close, personal relationship to a position of Administrative Officer directly reporting to him; (b) granting her a special post allowance based on a fictitious job description; (c) showing favouritism; and (d) contributing to lowering staff morale in the office. OIOS found that the manager had not violated any established rule. It further established that the Administrative Officer's qualifications and performance on the job were good. None the less, OIOS questioned the manager's judgement for failing to deal effectively with a situation that was creating the impression of favouritism and generating dissatisfaction within the office. Eventually, under pressure from the Field Administration and Logistics Division, the manager transferred the Administrative Officer to another unit in the Mission. OIOS recommended that the Office of Human Resources Management consider broadening staff rule 104.10 (c) to include close or intimate relationships such as lovers and friends. This Staff Rule currently provides that a staff member who is related to another staff member as father, mother, son, daughter, brother, or sister, husband or wife:

"(i) Shall not be assigned to serve in a post which is superior or subordinate in the line of authority to the staff member to whom he or she is related;

"(ii) Shall disqualify himself or herself from participating in the process of reaching an administrative decision affecting the status or entitlements of the staff member to whom he or she is related."

The recommended amendment is to broaden the rule to include staff members with close or intimate relationships such as lovers and friends. Reflecting present-day developments in societies at large, more and more staff members are engaged in such relationships, which have loyalties as intense as familial ties. The amendment will enable management to deal with any abuse stemming from these non-familial relationships. The Assistant Secretary-General for the Office of Human Resources Management agreed to initiate the process to amend staff rule 104.10 (c) as recommended.

90. OIOS noted that ensuring standards of integrity and fairness in appointments, extensions and the granting of special post allowances in peace-keeping missions had become more pressing as a result of greater delegation of authority on these matters by the Office of Human Resources Management to the Field Administration and Logistics Division. It further recommended that each special mission exercise better monitoring and control over the distribution of posts among its organizational units. The Under-Secretary-General for Peace-keeping Operations agreed with the recommendations in the report, declaring his intention to address a note to the chief administration officers in the missions to draw their attention to the issues raised in it. On 18 May 1995, new guidelines, including

criteria and procedures for the granting of special post allowances were issued by the Field Administration and Logistics Division to all missions. Missions were requested to establish local special post allowance review panels to consider submissions made to them for the granting of special post allowances and to submit the panels' recommendations to the Field Administration and Logistics Division for review and approval.

Recoveries

91. The amount of $15,000 was recovered from a former staff member who had misappropriated traveller's cheques (see paras. 87 and 88 above). The balance of $13,000 will be paid by October 1995. These figures are reflected in the box following paragraph 17.

92. It is noteworthy that some of the investigative work during the reporting period was performed or supported by the Audit and Management Consulting Division staff, illustrating the increasingly integrated approach of all OIOS units to internal oversight services.

C. Inspection

93. In addition to the inspection of the Field Administration and Logistics Division referred to in paragraphs 22 to 24 above, an inspection review of the United Nations Conference on Trade and Development (UNCTAD) was also conducted. The findings and conclusions of the inspection of UNCTAD have been submitted to UNCTAD's management for its review. They suggest that the secretariat of UNCTAD is overstaffed and top heavy and that the functional responsibilities of the divisions and their components lack clarity, to the point of clouding accountability. They also suggest that the organizational structure needs streamlining and consolidation into fewer divisions, in order to take full advantage of existing complementarities. The inspection has also identified shortfalls in administrative services, as well as existing weaknesses in the oversight mechanisms at the levels of formulation, implementation, coordination and assessment of programmes, and proposed remedial action. On the question of substance, the inspection addressed the issue from the point of view of the structure of UNCTAD's programme and its orientation within the new international context.

D. Monitoring

94. The function of monitoring of programme performance has been further strengthened in order to become a more useful instrument of management. To this effect a more transparent and effective system of information-gathering for oversight purposes has been established, especially in respect of changes introduced during the process of implementation of the programme budget and the reasons for these changes. The reasons for such departures from programmed commitments as reformulations, postponements, terminations and additional outputs introduced by the Secretariat are now identified and included in a database. At the same time, monitoring and self-evaluation will be viewed as an integral part of the managerial oversight responsibility, which requires the generation, on a routine basis, of data and analytical information on implementation and results achieved, including the use of achievement indicators where appropriate. General guidelines for the establishment of such managerial oversight functions, including the development of performance indicators are under preparation for the guidance of programme managers. The implementation of these guidelines will be monitored regularly to review how programme managers, throughout the Organization, collect and assemble information on their respective programmes in order to keep appraised of progress, analyse performance, enhance the economy and efficiency of implementation and establish adequate management accountability systems. Such information will become an integral part of the biennial programme performance reporting to Member States.

E. Evaluation

In-depth evaluation of peace-keeping operations: start-up phase

95. The final report (E/AC.51/1995/2 and Corr.1) reviewed the status of the recommendations made in the 1994 progress report concerning the capacity of the United Nations to learn from its experience with peace-keeping operations, and its ready capacity to act for six substantive components of complex missions: information, electoral, repatriation, human rights, civilian police and military. In addition, the final report reviewed overall direction and

coordination and the humanitarian and civil administration aspects of peace-keeping operations, as well as six support functions: planning, financing, staffing, logistics, procurement and training (see also paras. 18 and 19 above).

96. The Committee for Programme and Coordination discussed the final report on the in-depth evaluation of the start-up phase of peace-keeping operations at its thirty-fifth session, and commended the report and endorsed recommendations 1-3, 6-8 and 13-19. The Committee considered the recommendations on human rights and the humanitarian aspects of peace-keeping, "needed to be examined further by the relevant intergovernmental bodies" (A/50/16, para. 264). The two recommendations on training were adopted with caveats. On the information aspects of peace-keeping, the Committee was informed (para. 261 (d)) that the Secretary-General was not in favour of the OIOS recommendation to assign responsibility for the information component to the Department of Peace-keeping Operations. The Committee recommended that "the Secretary-General take all necessary measures to provide adequate support to that area" (para. 266).

In-depth evaluation of the environment programme

97. The general thrust of the recommendations was to refocus UNEP activities by strengthening its partnership with other organizations within and outside of the United Nations system, with due regard to its role as a global environment programme. The evaluation team reviewed the whole range of UNEP activities. The report contained an overview of the UNEP organizational context, but, because of limitations of space, provided analyses of issues only where problems needed to be characterized and recommendations made.

98. Specific recommendations were made on the catalytic role of UNEP in emerging environmental issues; UNEP coordination of environmental programmes within the United Nations system; allocation of resources to programmed UNEP activities; credible scientific assessments; coordination of environmental assessment within UNEP; discontinuation of superseded UNEP assessment services; access to scientific data; national capacities for state of the environment information; a common set of indicators; facilitating the coordination of international environmental agreements; a comprehensive database on national and international environmental law; support services to convention secretariats; resources for environmental law and institutions; focus of UNEP activities on capacity-building; needs assessment for capacity-building; UNEP role in environmental training; a strategy for environment information; UNEP role as information broker to policy makers; UNEP public information material; outposting of programmes to regional offices; support to major groups; fund-raising; and OIOS study of the effects of recent reorganizations in UNEP.

99. The Committee discussed the evaluation report (A/50/16, paras. 242-248) at its thirty-fifth session, expressed appreciation for the quality and comprehensive nature of the report, stated that it was in general agreement with the main thrust of the report and endorsed its recommendations, subject to the differing views expressed by the delegations during the discussion and subject to the subsequent views of the Governing Council of UNEP (para. 246). The Governing Council of UNEP, in decision 18/5, took note of the report and the conclusions of the Committee on it, and requested the Executive Director to take appropriate action.

Appendix

Oversight activities for the period from 1 August to 14 November 1994

A. Audit and Management Consulting Division

1. AMCD outputs for the period from 1 August to 14 November 1994

Section	*Assignments opened*	*Audit communications with recommendations issued during same period*	*Recommendations made during same period*
Headquarters	2	6	12
Field	2	—	—
Peace-keeping	7	28	264
IMIS/Management	2	2	18
European	12	12	125
UNHCR	7	11	97
African	2	2	15
UNOSOM II	—	19	65
Total	**34**	**80**	**596**

2. Financial implications

	Total number of recommendations	*Amount identified and recommended*	*Amount realized*
		(Thousand United States dollars)	
Recovery of overpayment	17	3 031	1 896
Prevention of overpayment	3	398	120
Actual expenditure reduction	4	407	—
Prevention of excessive and/or unjustified expenditure	3	211	102
Realized additional income	2	434	134
Recovery of fraudulent amount	—	—	—
Total	**29**	**4 481**	**2 252**

B. Investigations Unit

During the period from 1 August to 14 November 1994, the Unit received seven complaints and completed nine investigations, including two complaints received during the previous reporting period. The Chief of the Unit and four staff members at the Professional level attended an in-service training programme conducted by the Inspector General, Criminal Investigator Academy, and the Federal Law Enforcement Training Center at Glynco, Georgia, United States of America. After investigating reports of cases of possible violations of rules and regulations, mismanagement, misconduct, waste of resources and abuse of authority, the Investigation Unit made recommendations in the following areas:

(a) Unaccounted communications and electronic data processing equipment in the United Nations Transitional Authority in Cambodia (UNTAC);

(b) Reported theft of fuel and prefabricated material in UNTAC;

(c) Grievances by staff members at Headquarters and at the United Nations Office at Geneva.

In assessing the potential for fraud and other violations, the Unit conducted an in-depth investigation into all payments to a contractor delivering transportation services and as a result recovered $2.3 million. The Unit also participated with other offices in the Secretariat in negotiating a claim of $16.5 million submitted by the contractor. These efforts led to a reduction of $9.6 million in the final settlement of that claim.

C. Other oversight activities

Monitoring inspection and evaluation activities for the period from 1 August to 14 November 1994, since they involve longer-term projects, are adequately covered by the present report.